

VILLAGE OF L'ANSE, MICHIGAN

Financial Report

With Supplemental Information

June 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* VILLAGE OF L'ANSE	County* BARAGA	Type* VILLAGE	MuniCode* 07-3-020
Opinion Date-Use Calendar* Oct 6, 2008	Audit Submitted-Use Calendar* Dec 1, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue: ?	\$ 1,248,648.00
General Fund Expenditure: ?	\$ 1,335,524.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance: ?	\$ 332,528.00
Governmental Activities Long-Term Debt (see instructions): ?	\$ 1,253,035.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DAVID	Last Name* KNOKE	Ten Digit License Number* 1101010481		
CPA Street Address* 301 S STEPHENSON AVE	City* IRON MOUNTAIN	State* MI	Zip Code* 49801	Telephone* +1 (906) 776-2127
CPA Firm Name* FLEURY SINGLER & CO, PC	Unit's Street Address* 101 N MAIN STREET	Unit's City* L'ANSE	Unit's Zip* 49946	

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INDEPENDENT AUDITORS' REPORT

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **VILLAGE OF L'ANSE, MICHIGAN** as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **VILLAGE OF L'ANSE, MICHIGAN'S** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **VILLAGE OF L'ANSE, MICHIGAN** as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2008, on our consideration of the **VILLAGE OF L'ANSE, MICHIGAN'S** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, retirement system schedule of funding progress, and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **VILLAGE OF L'ANSE, MICHIGAN'S** basic financial statements. The accompanying other supplemental information as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and comparative financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

October 6, 2008

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Within this section of the Village of L'Anse, Michigan's (the "Village") financial report, the Village's management provides narrative discussion and analysis of the financial activities of the Village for the fiscal year ended June 30, 2008. The Village's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Village's primary government, unless otherwise noted; the component unit reported separately from the primary government is not included. Please read this management's discussion and analysis in conjunction with the Village's financial statements.

Financial Highlights

- The most important financial event for the current year is a restatement which improves the financial position of the Village significantly. The Village's beginning year fund balance and net assets of the General Fund have been restated to include an investment in MetLife, Inc. common stock for a total of \$297,198. Subsequent to June 30, 2008 and before the completion of the audit, it was discovered that the Village owned stock in MetLife, Inc. due to a demutualization of the company in 1999. In effect, the Village received assets due to its participation in insurance contracts with MetLife, Inc. The Village was unaware of this asset until August, 2008, at which time the Village immediately began the process of redeeming these shares for cash. These shares do not comply with the Village's investment policy or Michigan regulations. The value of the demutualization in 1999 was significantly less than the ultimate value received. The market fluctuated significantly between June, 2007, and the current period. The restatement as of June 30, 2007, represents the balance at the actual value received in October, 2008, therefore no gain or loss is reported in the current year related to this investment. Other highlights discussed below are noted as information not including the restatement (indicated where applicable).
- The Village's assets exceeded its liabilities by \$9,716,904 (net assets) for the fiscal year reported. This compares to the previous year (as previously reported) when assets exceeded its liabilities by \$9,679,574. Net assets increased in governmental activities by \$16,854. Governmental activities included net transfers of \$90,613 from the component unit and transfers of \$65,745 from the Electric Utility Fund. Net assets in business-type activities decreased by \$276,722. This decrease is comprised primarily of 1) depreciation expense of \$300,655, 2) a transfer to the General Fund of \$65,745 (noted above), and 3) offset by state grant revenues of \$37,070.
- Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$9,017,915 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Net assets of \$147,261 are restricted by constraints imposed by state regulations.
 3. Unrestricted net assets of \$551,728 represent the portion available to maintain the Village's continuing obligations to citizens and creditors.
- The Village's governmental funds reported total ending fund balance of \$479,789 compared to the prior year ending fund balance of \$101,067 (as previously reported). Governmental funds fund balance increased by \$81,524 (exclusive of the restatement) during the current year primarily due to transfers from the Electric Utility Fund.
- Total assets of the Village's governmental funds increased by \$9,305 exclusive of the investment restatement while the total assets of proprietary funds decreased by \$325,542. Total long-term debt decreased by \$64,256 in the governmental funds and \$119,845 in the proprietary funds, with no new issuances of debt.
- The Village's Electric Utility Fund continues to maintain an investment of \$80,156 with the Upper Peninsula Public Power Agency. The purpose of the Agency is to invest in the American Transmission Company System, a Wisconsin LLC.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2008

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Village's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The Village also includes in this report additional information to supplement the financial statements.

Government-wide financial statements

The Village's financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Village's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide financial statements is the **Statement of Net Assets**. This is the Village-wide statement of financial position presenting information that includes all of the Village's assets and liabilities with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village as a whole is improving or deteriorating. Evaluation of the overall economic health of the Village would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the Village's infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the **Statement of Activities**, which reports how the Village's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the Village's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Village that are principally supported by taxes and intergovernmental revenues, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, sanitation and recreation. Business-type activities include electric utility, water utility and a disposal system.

The Village's financial reporting entity includes the funds of the Village (primary government) and one organization for which the Village is accountable (Downtown Development Authority-component unit).

Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village's most important funds rather than the Village as a whole. Major funds are separately reported, while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The Village has two types of funds:

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Village's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) JUNE 30, 2008

Proprietary funds are reported in the fund financial statements and generally report services for which the Village charges customers a fee. Proprietary funds include the electric utility fund, water utility fund and disposal system fund and are reported as business-type activities in the government-wide financial statements. All three funds are reported as major funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in funding its obligation to provide pension benefits to its employees. A budgetary comparison statement is included for the general fund.

Major funds and the component unit are reported in the basic financial statements. Combining statements for nonmajor funds and comparative statements for the water utility fund and the disposal system fund are presented in a subsequent section of this report.

Financial Analysis of the Village as a Whole

Net assets of the current year and prior year (as restated) are as follows:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 645,194	\$ 608,763	\$ 600,777	\$ 704,245	\$ 1,245,971	\$ 1,313,008
Noncurrent assets	6,738,339	6,832,061	7,511,965	7,734,039	14,250,304	14,566,100
Total assets	7,383,533	7,440,824	8,112,742	8,438,284	15,496,275	15,879,108
Liabilities						
Current liabilities	249,921	286,588	469,954	397,511	719,875	684,099
Long-term liabilities	1,575,722	1,613,200	3,483,774	3,605,037	5,059,496	5,218,237
Total liabilities	1,825,643	1,899,788	3,953,728	4,002,548	5,779,371	5,902,336
Net assets						
Investment in capital assets net of related debt	5,191,077	5,244,837	3,826,838	3,882,921	9,017,915	9,127,758
Restricted	147,261	70,048	-	-	147,261	70,048
Unrestricted	219,552	226,151	332,176	552,815	551,728	778,966
Total net assets	\$ 5,557,890	\$ 5,541,036	\$ 4,159,014	\$ 4,435,736	\$ 9,716,904	\$ 9,976,772

The Village's combined net assets decreased 3 percent from a year ago. Governmental activities net assets increased by \$16,854, while business-type activities net assets decreased by \$276,722.

Unrestricted net assets for governmental activities decreased by \$8,599. Unrestricted net assets for business-type activities decreased by \$220,639.

VILLAGE OF L'ANSE

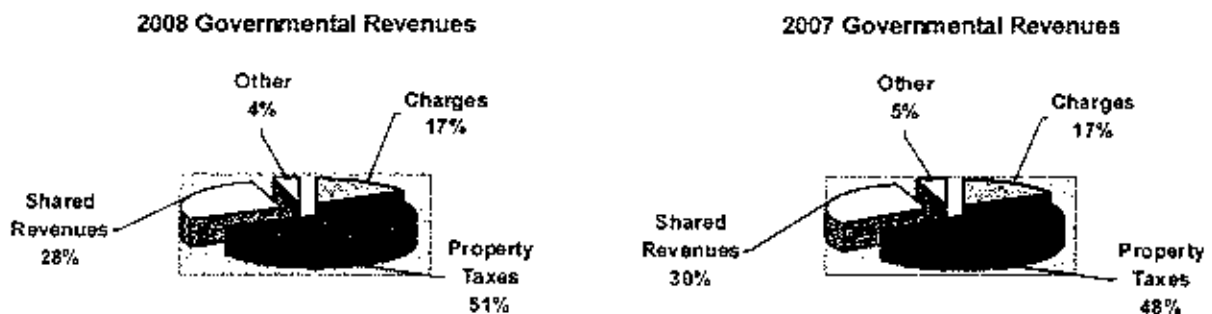
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) JUNE 30, 2008

Changes in net assets during the current year and prior year are as follows:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenue						
Charges for services	\$ 239,299	\$ 240,917	\$ 2,726,734	\$ 2,555,695	\$ 2,966,033	\$ 2,796,612
Capital grants and contributions	18,050	505,382	37,070	108,964	55,120	614,346
General revenue						
Property taxes	732,972	677,273	-	-	732,972	677,273
State-shared revenues	406,525	421,549	-	-	406,525	421,549
Interest	23,856	15,316	15,182	17,982	39,038	33,298
Other	38,743	54,261	171	-	38,914	54,261
Total revenues	\$ 1,458,445	\$ 1,914,698	\$ 2,779,157	\$ 2,682,641	\$ 4,237,602	\$ 4,597,339
Program expenses						
General government	\$ 155,499	\$ 173,616	\$ -	\$ -	\$ 155,499	\$ 173,616
Public safety	473,514	508,971	-	-	473,514	508,971
Public works	665,322	611,885	-	-	665,322	611,885
Sanitation	201,409	197,223	-	-	201,409	197,223
Recreation	51,173	52,311	-	-	51,173	52,311
Interest on long-term debt	61,032	56,331	-	-	61,032	56,331
Proprietary activities	-	-	2,990,134	2,788,089	2,990,134	2,788,089
Total program expenses	\$ 1,597,949	\$ 1,600,337	\$ 2,990,134	\$ 2,788,089	\$ 4,588,083	\$ 4,388,426
Change in net assets before transfers and other	\$ (139,504)	\$ 314,361	\$ (210,977)	\$ (105,448)	\$ (350,481)	\$ 208,913
Transfers from (to) DDA - net	90,613	20,258	-	-	90,613	20,258
Transfers - other	65,745	50,000	(65,745)	(50,000)	-	-
Change in net assets	\$ 16,854	\$ 384,619	\$ (276,722)	\$ (155,448)	\$ (259,868)	\$ 229,171

Graphic presentations of selected data follow to assist in the analysis of the Village's activities for fiscal years 2008 and 2007:

Governmental Activities



The above charts do not include grants, contributions, or transfers.

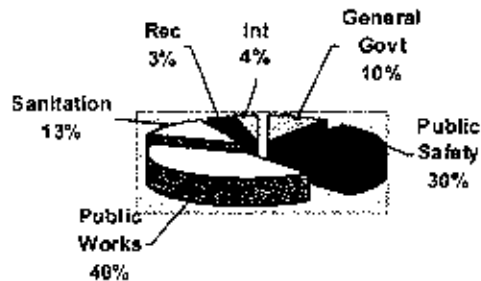
VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

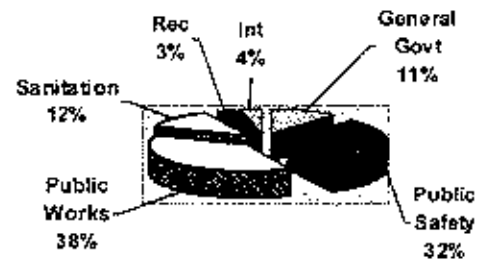
JUNE 30, 2008

Governmental Activities (continued)

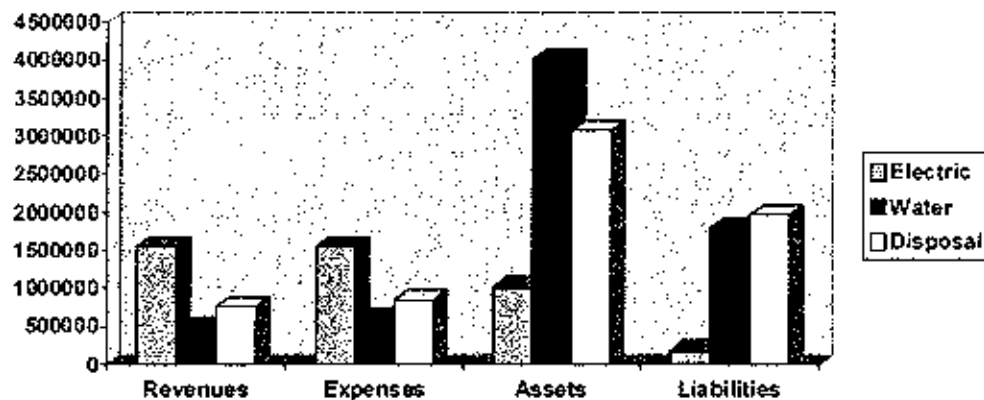
2008 Governmental Expenditures



2007 Governmental Expenditures



2008 Business-Type Activities



Financial Analysis of the Village's Funds

Governmental Funds - The Village's total governmental revenues decreased by \$435,714 (21%) from prior year levels (primarily from reduced grant activity). Governmental expenditures decreased by \$777,969 (32%) from prior year levels due primarily from reduced capital outlay. Overall other than grant activity, governmental activities remained relatively consistent.

Proprietary Funds - The Village's business-type activities consist of electric utility, water utility and a disposal system. Operating revenues increased by \$171,039 (7%) from prior year. The increase relates primarily to the Village increasing rates and user fees, primarily in the Electric Utility Fund. Operating expenses increased by \$279,487 (11%) from prior year, primarily from increased cost of purchased power.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) JUNE 30, 2008

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to account for events during the year. Budgetary amendments were relatively minor, with the exception of the following items. Budgeted expenses in the department of public works were increased by \$96,900 due primarily to equipment rental and supplies. Other financing sources were adjusted to account for transactions with other funds and with the component unit.

Capital Asset and Debt Administration

The Village's investment in capital assets, net of accumulated depreciation and related debt, for governmental and business-type activities as of June 30, 2008 was \$5,191,077 and \$3,826,838, respectively. Capital asset additions during the current fiscal year included:

Department of public works	\$ 36,200
Fire department	32,128
Police department	12,555
Electric utility fund	9,467
Water utility fund	77,883

At the end of the fiscal year, the Village had long-term debt obligations of \$4,858,006. The portion of the debt relating to governmental activities was \$1,253,035. The portion of the debt relating to business-type activities was \$3,604,971. There were no issuances of bonds or notes during the current year for governmental or business-type activities. The balances declined by normal amortization of principal payments.

Economic Factors and Next Year's Budgets and Rates

Local economic conditions are anticipated to remain consistent. The Village's 2009 budget is comparable to the 2008 amended budget.

Health care costs make up a significant portion of the Village's expenditures. In April, 2008, the Village changed to a new health care policy in an effort to lower premiums.

The Village has planned Front Street paving and drainage project. The costs of the project (estimated at \$250,000) are to be paid for by funds provided by the Downtown Development Authority.

The Village has identified needed improvements to the sewer distribution system. The estimated costs for these improvements are \$1,200,000 and the Village is currently investigating funding sources for this planned project. It is currently anticipated to occur beyond the next fiscal year.

Utility rates for the Electric Utility Fund increased effective March, 2008. The Water Utility Fund and Disposal System Fund utility rates did not change during the year. Effective July, 2008, the Water utility rates were increased due to anticipated cost increases.

Beginning July 1, 2008, the Village entered into a fire service agreement with L'Anse Township in which the Village agrees to answer all fire and rescue calls in the Township, excluding certain areas.

Contacting the Village's Financial Management

The financial report is designed to provide a general overview of the Village's finances and demonstrate the Village's commitment to public accountability. If you have any questions about this report or need additional information, we welcome you to contact the clerk's office at (906)-524-6116.

VILLAGE OF L'ANSE

STATEMENT OF NET ASSETS JUNE 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 213,537	\$ 306,970	\$ 519,507	\$ 138,252
Accounts receivable				
Utility billings	19,069	-	19,069	-
Other	68,332	288,407	356,739	-
Grants receivable	1,550	6,175	7,725	-
Taxes receivable	8,335	-	8,335	47,204
Due from component unit - DDA	31,866	-	31,866	-
Due from primary government	-	-	-	39,178
Internal balances	(225)	225	-	-
Inventory	3,864	-	3,864	-
Prepaid dues	1,668	-	1,668	-
Investments	297,198	80,156	377,354	115,813
Restricted assets	393,476	37,431	430,907	-
Capital assets	6,344,863	7,394,378	13,739,241	-
Total assets	7,383,533	8,112,742	15,496,275	340,447
Liabilities and Net Assets				
Liabilities				
Accounts payable	45,099	140,744	185,843	-
Accrued sick and vacation wages	39,253	125,285	164,538	-
Customer deposits	-	22,785	22,785	-
Due to component unit - DDA	39,178	-	39,178	-
Due to primary government	-	-	-	31,866
Due to other governmental units	41,875	17,443	59,318	-
Accrued interest	13,727	42,500	56,227	-
Noncurrent liabilities				
Due within one year	70,789	121,197	191,986	-
Due in more than one year	1,182,246	3,483,774	4,666,020	-
Deferred compensation liability	393,476	-	393,476	-
Total liabilities	1,825,643	3,953,728	5,779,371	31,866
Net assets				
Investment in capital assets - net of related debt	5,191,077	3,826,838	9,017,915	-
Restricted				
Streets and roads	147,261	-	147,261	-
Unrestricted	219,552	332,176	551,728	308,581
Total net assets	\$ 5,557,890	\$ 4,159,014	\$ 9,716,904	\$ 308,581

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Functions/Programs			
Primary Government			
Governmental activities			
General government	\$ 155,499	\$ 14,492	\$ -
Public safety	473,514	5,564	18,050
Public works	655,322	-	-
Sanitation	201,409	215,772	-
Recreation	51,173	3,471	-
Interest on long-term debt	61,032	-	-
Total governmental activities	1,597,949	239,299	18,050
Business-type activities	2,990,134	2,726,734	37,070
Total primary government	\$ 4,588,083	\$ 2,966,033	\$ 55,120
Component Unit - Downtown Development Authority	\$ 8,498	\$ -	\$ -
General revenues and transfers			
Property taxes			
Village operating			
Downtown Development Authority			
Total property taxes			
State-shared revenues			
Interest			
Other			
Transfers - component unit			
Transfers - other			
Total general revenues and transfers			
Change in Net Assets			
Net Assets - Beginning of year - as restated			
Net Assets - End of year			

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (141,007)	\$ -	\$ (141,007)	\$ -
(449,900)	-	(449,900)	-
(655,322)	-	(655,322)	-
14,363	-	14,363	-
(47,702)	-	(47,702)	-
(61,032)	-	(61,032)	-
(1,340,600)	-	(1,340,600)	-
-	(226,330)	(226,330)	-
(1,340,600)	(226,330)	(1,566,930)	-
-	-	-	(8,498)
732,972	-	732,972	-
-	-	-	112,927
732,972	-	732,972	112,927
405,525	-	405,525	-
23,856	15,182	39,038	6,331
38,743	171	38,914	732
90,613	-	90,613	(90,613)
65,745	(65,745)	-	-
1,357,454	(50,392)	1,307,062	29,377
16,854	(276,722)	(259,868)	20,879
5,541,036	4,435,736	9,976,772	287,702
\$ 5,557,890	\$ 4,159,014	\$ 9,716,904	\$ 308,581

VILLAGE OF L'ANSE

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2008

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 68,515	\$ 145,022	\$ 213,537
Accounts receivable			
Utility billings	19,069	-	19,069
Other	51,021	17,311	68,332
Grants receivable	1,550	-	1,550
Taxes receivable	6,757	1,578	8,335
Due from other funds	7,500	-	7,500
Due from component unit - DDA	14,665	17,201	31,866
Inventory	2,064	1,800	3,864
Prepaid dues	1,668	-	1,668
Investments	297,198	-	297,198
Restricted assets	393,476	-	393,476
Total assets	\$ 863,483	\$ 182,912	\$ 1,046,395
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 37,092	\$ 8,007	\$ 45,099
Accrued sick and vacation wages	37,037	2,216	39,253
Due to component unit - DDA	39,178	-	39,178
Due to other funds	225	7,500	7,725
Due to other governmental units	23,947	17,928	41,875
Deferred compensation liability	393,476	-	393,476
Total liabilities	530,955	35,651	566,606
Fund balances			
Reserved for inventory	2,064	1,800	3,864
Unreserved - reported in			
General fund	330,464	-	330,464
Special revenue funds	-	145,461	145,461
Total fund balances	332,528	147,261	479,789
Total liabilities and fund balances	\$ 863,483	\$ 182,912	\$ 1,046,395

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

GOVERNMENTAL FUNDS RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

Fund Balances - Total Governmental Funds	\$	479,789
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets \$7,700,665, net of accumulated depreciation of (\$1,355,802) used in governmental activities are not financial resources and are not reported in the governmental funds		6,344,863
Accrued interest payable is recorded as a liability in governmental activities		(13,727)
Compensated absences are included as a liability in governmental activities		(99,249)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds		<u>(1,153,786)</u>
Net Assets - Governmental Activities	\$	<u>5,557,890</u>

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2008

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 557,221	\$ 175,751	\$ 732,972
State-shared revenues	222,549	182,976	405,525
Garbage collection fees	215,772	-	215,772
Federal grants - Homeland Security	18,050	-	18,050
Rent	162,992	-	162,992
Other	48,280	-	48,280
Interest	23,784	72	23,856
Total revenues	1,248,648	358,799	1,607,447
Expenditures			
Current			
General government	136,785	-	136,785
Public safety	416,047	-	416,047
Public works	413,520	254,213	667,733
Sanitation	201,409	-	201,409
Recreation	37,463	-	37,463
Capital outlay	53,185	48,065	101,250
Debt service	77,115	48,278	123,393
Total expenditures	1,335,524	348,556	1,684,080
Excess of revenues (under) over expenditures	(86,876)	10,243	(76,633)
Other financing sources (uses)			
Sale of fixed assets	1,799	-	1,799
Operating transfers in - Component Unit	70,246	20,367	90,613
Operating transfers in - Proprietary Fund	65,745	-	65,745
Operating transfers in	-	156,603	156,603
Operating transfers out	(46,603)	(110,000)	(156,603)
Total other financing sources (uses)	91,187	66,970	158,157
Net change in fund balances	4,311	77,213	81,524
Fund balances - Beginning of year - as restated	328,217	70,048	398,265
Fund balances - End of year	\$ 332,528	\$ 147,261	\$ 479,789

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

GOVERNMENTAL FUNDS RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 81,524
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; these costs are allocated over their estimated useful lives as depreciation	101,250
Capital assets used in governmental activities are not considered financial resources, such as: Depreciation recorded on those assets	(219,266)
Interest expense is recorded in the funds when due; it is recorded in the statement of activities when incurred	(1,895)
Increase in accumulated sick pay is recorded when earned in the statement of activities	(9,015)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	64,256
Change in Net Assets - Governmental Activities	<u>\$ 16,854</u>

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2008

Assets	Major Funds			Total
	Electric Utility	Water Utility	Disposal System	
Current assets				
Cash and cash equivalents	\$ 199,322	\$ 1,963	\$ 104,686	\$ 305,970
Accounts receivable - net	193,618	37,246	57,543	288,407
Grants receivable	-	-	6,175	6,175
Due from General Fund	-	225	-	225
Total current assets	392,940	39,434	168,403	600,777
Long-term assets				
Investments	80,156	-	-	80,156
Deposit with County - restricted assets	-	-	37,431	37,431
Utility plant and system (capital assets)	545,174	3,978,162	2,871,042	7,394,378
Total assets	1,018,270	4,017,596	3,076,876	8,112,742
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable	122,810	4,797	13,137	140,744
Accrued expenses	37,932	51,942	35,411	125,285
Customer deposits	22,560	225	-	22,785
Due to other governmental units	-	-	17,443	17,443
Accrued interest	-	42,500	-	42,500
Current portion of long-term debt	-	35,000	86,197	121,197
Total current liabilities	183,302	134,464	152,188	469,954
Long-term debt - net of current portion	-	1,665,000	1,818,774	3,483,774
Total liabilities	183,302	1,799,464	1,970,962	3,953,728
Net assets				
Invested in utility plant and system - net of related debt	545,174	2,278,162	1,003,502	3,826,838
Unrestricted and undesignated	289,794	(60,030)	102,412	332,176
Total net assets	\$ 834,968	\$ 2,218,132	\$ 1,105,914	\$ 4,159,014

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30, 2008

	Major Funds			
	Electric Utility	Water Utility	Disposal System	Total
Operating revenues				
Sales	\$ 1,519,202	\$ 482,975	\$ 711,809	\$ 2,713,986
Services	600	1,554	2,336	4,490
Other	4,512	2,022	1,724	8,258
Total operating revenues	1,524,314	486,551	715,869	2,726,734
Operating expenses				
Distribution	1,447,202	367,500	519,831	2,334,533
Administrative and general	80,539	48,799	11,423	140,761
Depreciation	22,992	98,095	179,568	300,655
Total operating expenses	1,550,733	514,394	710,822	2,775,949
Operating (loss) income	(26,419)	(27,843)	5,047	(49,215)
Nonoperating revenues (expenses)				
Sale of fixed assets	(54)	225	-	171
State grant - MI DEQ	-	-	37,070	37,070
Expenses related to special study	-	-	(37,070)	(37,070)
Interest income	14,842	17	323	15,182
Interest expense	-	(85,875)	(91,240)	(177,115)
Total nonoperating revenues (expenses)	14,788	(85,633)	(90,917)	(161,762)
(Loss) before transfers	(11,631)	(113,476)	(85,870)	(210,977)
Transfers from other funds	-	30,000	-	30,000
Transfers to other funds	(95,745)	-	-	(95,745)
Changes in net assets	(107,376)	(83,476)	(85,870)	(276,722)
Net assets - Beginning of year	942,344	2,301,608	1,191,784	4,435,736
Net assets - End of year	\$ 834,968	\$ 2,218,132	\$ 1,105,914	\$ 4,159,014

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2008

	Major Funds			
	Electric Utility	Water Utility	Disposal System	Total
Cash flows from operating activities				
Receipts from customers	\$ 1,504,901	\$ 487,189	\$ 713,706	\$ 2,705,796
Other receipts	4,512	2,022	1,724	8,258
Payments to suppliers	(1,383,532)	(153,693)	(216,820)	(1,754,045)
Payments to employees for wages and benefits	(124,767)	(259,160)	(310,097)	(694,024)
Receipts from/payments to other funds	59,145	(225)	-	58,920
Net cash provided by operating activities	60,259	76,133	188,513	324,905
Cash flows from noncapital financing activities				
Receipts from noncapital grant	-	-	59,386	59,386
Payments to suppliers related to special study	-	-	(37,070)	(37,070)
Transfers	(95,745)	30,000	-	(65,745)
Net cash (used in) provided by noncapital financing activities	(95,745)	30,000	22,316	(43,429)
Cash flows from capital and related financing activities				
Purchase of capital assets	(9,467)	(77,883)	-	(87,350)
Receipts from sale of capital assets	-	225	-	225
Increase in deposit with County	-	-	5,429	5,429
Principal paid on debt	-	(35,000)	(84,845)	(119,845)
Interest paid on debt	-	(43,375)	(91,240)	(134,615)
Net cash (used in) capital and related financing activities	(9,467)	(156,033)	(170,656)	(336,156)
Cash flows from investing activities				
Interest	14,842	17	323	15,182
Net cash provided by investing activities	14,842	17	323	15,182
Net change in cash and cash equivalents	(30,111)	(49,883)	40,496	(39,498)
Cash and cash equivalents - Beginning of year	229,433	51,846	64,189	345,468
Cash and cash equivalents - End of year	\$ 199,322	\$ 1,963	\$ 104,685	\$ 305,970
Reconciliation of operating (loss) income to net cash from operating activities				
Operating (loss) income	\$ (26,419)	\$ (27,843)	\$ 5,047	\$ (49,215)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities				
Depreciation	22,992	98,095	179,568	300,655
Changes in assets and liabilities				
(Increase) decrease in accounts receivable	(16,201)	2,660	(439)	(13,980)
Decrease (increase) in due from General Fund	59,145	(225)	-	58,920
Increase (decrease) in accounts payable	16,851	(4,437)	(17,499)	(5,085)
Increase in accrued expenses	2,591	7,883	21,836	32,310
Increase in customer deposits	1,300	-	-	1,300
Net cash provided by operating activities	\$ 60,259	\$ 76,133	\$ 188,513	\$ 324,905

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

STATEMENT OF NET ASSETS - COMPONENT UNIT JUNE 30, 2008

	<u>Downtown Development Authority</u>
Assets	
Cash and cash equivalents	\$ 138,252
Taxes receivable	47,204
Due from primary government	39,178
Investments	<u>115,813</u>
Total assets	340,447
Liabilities and Net Assets	
Liabilities - Due to primary government	<u>31,866</u>
Net assets - Unrestricted	<u>\$ 308,581</u>

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

STATEMENT OF ACTIVITIES - COMPONENT UNIT YEAR ENDED JUNE 30, 2008

	<u>Downtown Development Authority</u>
Expenses	\$ 8,498
Program revenues	<u>-</u>
Net (expense)	(8,498)
General revenues and transfers	
Property taxes	112,927
Interest	6,331
Other	732
Transfers - General Fund	(20,367)
Transfers - Local Street Fund	<u>(70,246)</u>
Total general revenues and transfers	<u>29,377</u>
Change in net assets	20,879
Net assets - Beginning of year	<u>287,702</u>
Net assets - End of year	<u>\$ 308,581</u>

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Village of L'Anse, Michigan (the "Village") are discussed in subsequent sections of this note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the Village's financial activities for the fiscal year ended June 30, 2008.

The accounting and reporting policies of the Village relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (US GAAP) applicable to state and local governments. The following is a summary of the significant accounting policies used by the Village of L'Anse, Michigan.

REPORTING ENTITY

The Village was incorporated under the provision of Act 3 in 1895 (General Law Village) and operates under a Council-Manager form of government. The accompanying financial statements present the Village and its component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village. The Village's major operations include cemetery, police and fire protection, public works, sanitation, recreation and general administration services. In addition, the Village owns and operates three major enterprise activities: the electric utility system, water utility system and disposal system.

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units over which the Village exercises significant influence. Significant influence is based primarily on operational or financial relationships. The Downtown Development Authority (the "Authority") was created to encourage and spur redevelopment of the L'Anse business district and to make L'Anse an attraction for visitors and tourists as well as a source of pride for the local community. The Authority's governing board is appointed by the Village's governing body. The Village collects tax funds on the Authority's behalf.

Excluded from the reporting entity is the L'Anse Housing Authority. The L'Anse Housing Authority's governing board selects management staff, sets charges, establishes budgets and controls all aspects of its own operations. The Village provides no funding to the Housing Authority. Additionally, the Village holds no title to Housing Authority assets, nor does it have any right to Housing Authority surpluses.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component unit. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government exercises accountability.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not properly included as program revenues are reported as general revenues.

Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded in the year payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include property taxes and state-shared revenues. All other revenue items are considered to be available only when cash is received by the Village.

Amounts reported as program revenue include charges to customers for goods and services. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's ongoing operations. The principal operating revenue of proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the Village's electric, water, and sewer functions and other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Village reports the following major governmental fund:

General Fund - The general fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following three major proprietary funds:

Electric, Water and Disposal System Funds - These three funds are the Village's major proprietary funds. They account for the activities of the electric, water and sewer distribution systems of the Village.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the Village reports the following funds:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of earmarked revenue requiring separate accounting because of legal or regulatory provisions. They include the Major Street, Local Street and Municipal Street Funds.

Debt Service Fund - The debt service fund is used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from operations of an enterprise fund.

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments - Cash and cash equivalents are considered to be highly liquid investments if they have a maturity date of three months or less when acquired by the Village. These include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due from other funds" or "due to other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances. All trade receivables are shown as net of allowance for uncollectible amounts (\$18,300 in 2008).

Inventory - Inventory consists of salt and gravel for roads and is valued at cost, on a first-in, first-out basis. Fund balances have been reserved in an amount equal to the cost of the inventory.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The Village offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The plan assets, included in restricted assets of the General Fund, are maintained in a custodial account held by Capital Guardian Trust Company, and are not available to the employees until termination, retirement, death, disability, or an unforeseeable emergency. All rights to the plan assets are that of the employees and any losses incurred on plan assets in the custodial account are borne solely by the plan participants and their beneficiaries. The corresponding deferred compensation liability is included in noncurrent liabilities.

Certain resources related to proprietary fund revenue bonds are set aside as required by agreement and are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets - The Village's property, plant and equipment and infrastructure with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. Proprietary assets are also reported in their respective funds. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Buildings, equipment, vehicles and infrastructure assets are depreciated over the following useful lives:

Water and sewer distribution systems	10-65 years
Buildings and building improvements	65 years
Vehicles	5-10 years
Machinery and equipment	8-20 years
Infrastructure assets	20-75 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Vacation and Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. In the fund financial statements, governmental fund types recognize debt issued as other financing sources.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management - The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE B - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are prepared on a detailed line item basis. Revenues are budgeted by source while expenditures are budgeted by department and class. All annual appropriations lapse at fiscal year end. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, one supplementary appropriation was necessary.

The Village followed the following procedures in establishing the budgetary data reflected in the financial statements:

1. On June 22, 2007, an operating budget was submitted to the Village Finance Committee for the fiscal year ending June 30, 2008. The operating budget includes proposed expenditures and the means of financing them.
2. On June 25, 2007, a public hearing was conducted to obtain taxpayer comments.
3. The budget was legally adopted on June 25, 2007.
4. The Village Council authorizes all budgetary revisions throughout the fiscal year. The budget was revised and approved for revision on June 23, 2008.
5. Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - DEPOSITS AND INVESTMENTS / SUBSEQUENT EVENT

The investment policy adopted by the Village is in accordance with Public Act 20 of 1943. State statutes authorize the Village to deposit and invest in the following:

1. Certificates of deposit, savings accounts, or deposit accounts of federally insured financial institutions. The Village Board shall authorize depositories at the Board's organizational meeting after each regular election of board members
2. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
3. Repurchase agreements consisting of instruments listed in 2.
4. Bankers' acceptances of United States banks.
5. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated investment grade by not less than one standard rating service.
7. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Village. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
8. Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
9. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
10. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.
11. American Transmission Company System; Amendment to Public Act 513 of 2002.

At June 30, 2008, the carrying value of the Village's deposits and investments were reported as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 213,537	\$ 305,970	\$ 519,507	\$ 138,252
Investments	297,198	80,156	377,354	115,813
Totals	\$ 510,735	\$ 386,126	\$ 896,861	\$ 254,065

The breakdown between deposits and investments for the Village is as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Bank and credit union deposits (checking and savings accounts and certificates of deposit)	\$ 519,207	\$ 254,065
Investments - UPPPA - ATC	80,156	-
Investments - Stock	297,198	-
Cash on hand	300	-
Totals	\$ 896,861	\$ 254,065

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - DEPOSITS AND INVESTMENTS / SUBSEQUENT EVENT (CONTINUED)

The Village's deposits and investments are subject to several types of risk, which are examined in more detail below. The Village has designated three financial institutions for their bank and credit union deposits. The Village's deposits and investment policies are in accordance with statutory authority, with the exception of the stock investment discussed further below.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of financial institution failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At June 30, 2008, the Village had bank and credit union deposits totaling \$628,282 of which \$257,438 was covered by the F.D.I.C. or N.C.U.A. The remainder was uninsured and uncollateralized. The Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level of risk are used as depositories.

Interest Rate and Credit Risk - The Village minimized the interest rate and credit risk by limiting the deposits and investments to the safest types (except for the stock investment); limiting the effective duration of deposits and investments; and structuring the investment portfolio so that deposits and investments matured to meet cash requirements for ongoing operations. The Village's UPPPA - ATC and stock investments are non-risk categorized. They are at risk for the underlying value of the issuer, including all related risks.

Investment - UPPPA - ATC - The Village has an investment in Upper Peninsula Public Power Agency (UPPPA) along with other municipalities, which in turn purchased an interest in American Transmission Company, LLC and ATC Management, Inc. The related companies are not publicly traded; therefore, the Village has recorded the investment at cost, which approximates market value.

Investment - Stock - The Village has an investment in MetLife, Inc. common stock which it obtained as part of a demutualization of MetLife, Inc. in 1999. The Village was unaware of this investment until August, 2008, at which time it began the process of redeeming the stock for cash. The Village realized a cash deposit of \$297,198 in October, 2008. The investment did not comply with the Village's investment policy or Michigan regulations and this is the reason for the redemption of the stock. The value of the restatement was recorded at its realized cash settlement (as a restatement of prior year beginning fund balance) and no gain or loss was recognized during the year on the investment. The stock price varied significantly during the holding period but ultimately the realized value far exceeded the demutualized value in 1999.

NOTE D - RESTRICTED ASSETS FOR WATER UTILITY AND DISPOSAL SYSTEM FUNDS

Under the terms of a bond agreement with the USDA Rural Development, the Village's Water Utility Fund is required to have \$122,000 available in a "bond reserve account" as of June 30, 2008. The balance in this account was zero at year-end and therefore, the Village was not in compliance with their bond agreement. The Village intends to transfer funds to a bond reserve account from the General Fund in the fiscal year 2009.

The Village's Disposal System Fund is required to have set aside its share of monies to place on deposit with the County of Baraga (repair, replacement, and improvement fund ("RRI" fund)), which is 83.56% of the required funds. The required balance as of June 30, 2008 is as follows:

	<u>Total</u>	<u>Village</u>	<u>Township</u>
Total requirement	\$ 268,125	\$ 224,045	\$ 44,080
Less eligible expenses to date	<u>188,000</u>	<u>188,000</u>	<u>-</u>
Amount required to be on deposit	<u>\$ 80,125</u>	<u>\$ 36,045</u>	<u>\$ 44,080</u>
Balance on deposit with the County of Baraga	<u>\$ 37,431</u>	<u>\$ 37,431</u>	<u>\$ -</u>

The Village portion exceeds the required deposit amount; however, the total required deposit does not include the Township of L'Anse's share, which has not been transferred to the County.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - PROPERTY TAXES

Property taxes were levied and leased by the Village on July 1, 2007, on the taxable valuation of property as of the preceding January 1. The Village billed and collected these taxes from July, 2007, to September, 2007. At that time, any unpaid billings were transferred to Baraga County, which is in charge of collecting delinquent taxes and remitting receipts to the Village. If a billing is still uncollected three years subsequent to the original billing, the property is subject to tax sale. It is the Village's policy to recognize revenue from the current tax levy.

The 2007 state equalized valuation of the Village totaled \$49,264,470 (taxable value \$44,401,268), on which taxes levied consisted of 13.2010 Mills for operating purposes, 1.7800 Mills for the DDA, and 1.0430 Mills for bond debt retirement.

NOTE F - CAPITAL ASSETS

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
Governmental activities				
Land*	\$ 261,456	\$ -	\$ -	\$ 261,456
Infrastructure	4,491,662	28,948	-	4,520,610
Infrastructure in progress	-	20,367	-	20,367
Buildings	1,336,177	-	-	1,336,177
Machinery and equipment	498,741	39,380	-	538,121
Vehicles	1,034,211	12,555	(45,529)	1,001,237
Furniture and equipment	22,697	-	-	22,697
Subtotal	7,644,944	101,250	(45,529)	7,700,665
Less accumulated depreciation	1,182,065	219,266	(45,529)	1,355,802
Net capital assets	\$ 6,462,879	\$ (118,016)	\$ -	\$ 6,344,863
Business-type activities				
Land*	\$ 110,235	\$ -	\$ -	\$ 110,235
Buildings	11,841,892	-	-	11,841,892
Machinery and equipment	1,102,075	87,350	(3,247)	1,186,178
Vehicles	332,230	-	(28,491)	303,739
Furniture and equipment	77,702	-	(26,614)	51,088
Subtotal	13,464,134	87,350	(58,352)	13,493,132
Less accumulated depreciation	5,856,397	300,655	(58,298)	6,098,754
Net capital assets	\$ 7,607,737	\$ (213,305)	\$ (54)	\$ 7,394,378

*Non-depreciable

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 19,762
Department of public works	129,318
Public safety	56,476
Recreation	13,710
	<u>219,266</u>
Total governmental activities	\$ 219,266
Business-type activities	
Electric utility	\$ 22,992
Water utility	98,095
Disposal system	179,568
	<u>300,655</u>
Total business-type activities	\$ 300,655

NOTE G - LONG-TERM DEBT

Bond issue - Village offices: General long-term debt bonds were issued to finance renovation and construction for an addition to the Village fire hall and Village offices. The bonds are payable annually at principal amounts ranging from \$15,000 to \$45,000, with the final payment due October 1, 2026. Interest is payable semi-annually at varying rates ranging from 5.30% to 6.05%. The bonds are secured by a pledge of the full faith and credit of the Village and future tax revenues.

Bond issue - Local Development: General long-term debt bonds were issued to finance a portion of the cost of a "Streetscape Project". The bonds are payable annually at principal amounts ranging from \$20,000 to \$40,000, with the final payment due October 1, 2020. Interest is payable semi-annually at varying rates ranging from 4.15% to 5.00%. The bonds are secured by tax increment revenues.

Loan payable - USDA - This loan was incurred to provide financing of specific equipment. The loan is payable in annual principal amounts ranging from \$17,000 to \$26,000 with the final payment due October 1, 2016. Interest is payable semi-annually at 4.75%. The loan is secured by the full faith and credit of the Village.

Installment contract payable - Contracts are incurred to provide financing on specific equipment.

The Disposal System revenue bonds (1) were issued to partially provide for the acquisition and construction of a disposal plant and connecting sewer system. This project was undertaken in conjunction with the Township of L'Anse and the bonds presented in this report represent 83.56% of the entire bond issue (Village portion). The bonds are payable from the revenues (pledged) generated by the disposal system fund, with the full faith and credit of the Village pledged. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds bear an interest rate of 5.00% per annum and the final payment is due in the year 2019.

The Disposal System revenue bonds (2) were issued to provide for improvements to the disposal plant. This project was undertaken in conjunction with the Township of L'Anse in the same manner as described above. The bonds are payable from revenues generated by the Disposal System Fund, with the full faith and credit of the Village pledged. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds are payable in increasing increments and bear an interest rate of 4.50% per annum and the final payment is due in the year 2042.

The Water Utility revenue bonds were issued to provide for the acquisition and construction of a water and waste disposal system. The bonds are payable from the revenues generated by the water supply system fund, with the full faith and credit of the Village pledged. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds bear an interest rate of 5.00% per annum and the final payment is due in the year 2033. The Village is not in compliance with a bond provision which is discussed in Note D.

A disposal system installment note was issued in 2005 to provide for improvements to the disposal plant. This bank note is payable in monthly installments of \$1,374, including interest at 4.15%, with the final payment due in the year 2012.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

Changes in long-term debt during the fiscal year ended June 30, 2008 are summarized as follows:

	Balance 7/1/2007	Additions	Retired	Balance 6/30/2008	Due Within One Year
Governmental activities					
General obligation					
Bond issue-village offices	\$ 540,000	\$ -	\$ (15,000)	\$ 525,000	\$ 15,000
Bond issue-streetscape	420,000	-	(20,000)	400,000	25,000
Loan payable-USDA	214,000	-	(17,000)	197,000	18,000
Installment contract payable	44,042	-	(12,256)	31,786	12,789
Total bonds and notes	1,218,042	-	(64,256)	1,153,786	70,789
Other liabilities-sick pay	90,234	9,015	-	99,249	-
Total governmental activities	\$ 1,308,276	\$ 9,015	\$ (64,256)	\$ 1,253,035	\$ 70,789
Business-type activities					
Revenue bonds					
Disposal System (1)	\$ 530,606	\$ -	\$ (54,314)	\$ 476,292	\$ 54,314
Disposal System (2)	1,387,096	-	(16,712)	1,370,384	17,548
Water Utility	1,735,000	-	(35,000)	1,700,000	35,000
Installment note	72,114	-	(13,819)	58,295	14,335
Total business-type activities	\$ 3,724,816	\$ -	\$ (119,845)	\$ 3,604,971	\$ 121,197

Debt requirements to maturity are as follows:

Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 70,789	\$ 58,113	\$ 128,902	\$ 121,197	\$ 171,363	\$ 292,560
2010	72,343	54,872	127,215	127,267	165,482	292,749
2011	70,654	51,498	122,152	129,107	159,182	288,289
2012	66,000	48,338	114,338	127,812	152,964	280,776
2013	66,000	45,160	111,160	115,204	147,033	262,237
2014-2018	373,000	172,040	545,040	576,256	643,532	1,219,788
2019-2023	275,000	86,100	361,100	470,408	518,135	988,543
2024-2028	160,000	25,108	185,108	603,009	389,588	992,597
2029-2033	-	-	-	753,969	225,141	979,110
2034-2038	-	-	-	292,460	98,894	391,354
2039-2042	-	-	-	288,282	26,867	315,149
Totals	\$ 1,153,786	\$ 541,229	\$ 1,695,015	\$ 3,604,971	\$ 2,698,181	\$ 6,303,152

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables are classified as due to/from other funds or component unit and are composed of the following:

Due from	Due to			Total
	General Fund	Nonmajor Funds	Component Unit	
General Fund	\$ -	\$ -	\$ 39,178	\$ 39,178
Business-type Funds	\$ 225	\$ -	\$ -	\$ 225
Nonmajor Funds	\$ 7,500	\$ -	\$ -	\$ 7,500
Component Unit	\$ 14,885	\$ 17,201	\$ -	\$ 31,866

Individual fund operating transfers for fiscal year 2008 were as follows:

Transfers In	Transfers Out				Total
	General Fund	Nonmajor Funds	Business-type Funds	Component Unit	
General Fund	\$ -	\$ -	\$ 65,745	\$ 70,246	\$ 135,991
Nonmajor Funds	-	110,000	-	20,367	130,367
Business-type Funds	-	-	30,000	-	30,000
Debt Service Fund	46,603	-	-	-	46,603
Totals	\$ 46,603	\$ 110,000	\$ 95,745	\$ 90,613	\$ 342,961

NOTE I - SEGMENT INFORMATION

The Village maintains three enterprise funds, which are intended to be self-supporting through user fees charged for services to the public. Financial segment information as of and for the year ended June 30, 2008 is presented as follows:

Condensed Statement of Net Assets

	Electric Utility	Water Utility	Disposal System	Total
Current assets	\$ 392,940	\$ 39,434	\$ 168,403	\$ 600,777
Restricted assets	-	-	37,431	37,431
Other assets	80,156	-	-	80,156
Capital assets	545,174	3,978,162	2,871,042	7,394,378
Total assets	1,018,270	4,017,596	3,076,876	8,112,742
Current liabilities	183,302	134,464	152,188	469,954
Noncurrent liabilities	-	1,665,000	1,818,774	3,483,774
Total liabilities	183,302	1,799,464	1,970,962	3,953,728
Invested in capital assets net of related debt	545,174	2,278,162	1,003,502	3,826,838
Unrestricted	289,794	(60,030)	102,412	332,176
Total net assets	\$ 834,968	\$ 2,218,132	\$ 1,105,914	\$ 4,159,014

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - SEGMENT INFORMATION (CONTINUED)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Electric Utility	Water Utility	Disposal System	Total
Total operating revenues	\$ 1,524,314	\$ 486,551	\$ 715,869	\$ 2,726,734
Depreciation expense	(22,992)	(98,095)	(179,568)	(300,655)
Other operating expenses	(1,527,741)	(416,299)	(531,254)	(2,475,294)
Operating (loss) income	(26,419)	(27,843)	5,047	(49,215)
Nonoperating revenues (expenses)	14,788	(85,633)	(90,917)	(161,762)
Transfers	(95,745)	30,000	-	(65,745)
Changes in net assets	(107,376)	(83,476)	(85,870)	(276,722)
Net assets - Beginning	942,344	2,301,608	1,191,784	4,435,736
Net assets - Ending	<u>\$ 834,968</u>	<u>\$ 2,218,132</u>	<u>\$ 1,105,914</u>	<u>\$ 4,159,014</u>

Condensed Statement of Cash Flows

Net cash provided by (used in)				
Operating activities	\$ 60,259	\$ 76,133	\$ 188,513	\$ 324,905
Noncapital financing activities	(95,745)	30,000	22,316	(43,429)
Capital and related financing activities	(9,467)	(156,033)	(170,656)	(336,156)
Investing activities	14,842	17	323	15,182
Net change in cash and cash equivalents	(30,111)	(49,883)	40,496	(39,498)
Cash and cash equivalents - Beginning	229,433	51,846	64,189	345,468
Cash and cash equivalents - Ending	<u>\$ 199,322</u>	<u>\$ 1,963</u>	<u>\$ 104,685</u>	<u>\$ 305,970</u>

NOTE J - DEFINED BENEFIT PENSION PLAN

Plan Description - The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plan is affiliated with the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer pension plan administered by the Gabriel Roeder Smith & Company. Act No. 427 of the Public Acts of 1984, as amended, and the Constitution of the State of Michigan assign the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the Plan, that authority rests with the Village. The Gabriel Roeder Smith & Company issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Gabriel Roeder Smith & Company, One Towne Square, Suite 800, Southfield, Michigan 48076-3723 or by calling (248) 799-9000.

Funding Policy - The Village is required to contribute at an actuarially determined rate; the current rate is 19.73% of annual covered payroll. The contribution requirements of the Village are established and may be amended by the MERS Board of Trustees.

Actuarial valuations are performed annually. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Memberships of the plan are as follows:

Active members	18
Retirees and beneficiaries currently receiving benefits	9
Terminated plan members entitled to but not yet receiving benefits	<u>3</u>
Total	<u>30</u>

Annual Pension Cost - For the year ended June 30, 2008, the Village's annual pension cost of \$134,976 for the Plan was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2007, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses) (b) projected salary increases of 4.50% per year, and an additional projected salary increase ranging from 0.00% to 8.40% per year. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007 was 28 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contributed	Percent of APC Obligation	Net Pension Obligation
June 30, 2006	\$ 126,168	\$ 126,168	100	\$ -
June 30, 2007	136,836	136,836	100	-
June 30, 2008	134,976	134,976	100	-

NOTE K - ECONOMIC DEPENDENCY

The Village receives a significant amount of its revenues from several entities located within the Village. Approximately 27% of property tax revenues and 10% of its utility billings are received from these entities.

NOTE L - RESTATEMENT OF BEGINNING OF YEAR FUND BALANCE AND NET ASSETS/SUBSEQUENT EVENT

Subsequent to year-end, the Village discovered that it owned 5,655 shares of MetLife, Inc. common stock. This investment did not comply with the Village's investment policy or Michigan regulations. The stock was recorded on the Village's financial statements as of June 30, 2007 as a restatement of beginning year fund balance and net assets of the General Fund for a total of \$297,198. The value of the restatement was recorded at its actual realizable value, which was received in October, 2008.

VILLAGE OF L'ANSE

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes				
Real and personal property taxes	\$ 534,000	\$ 539,000	\$ 540,180	\$ 1,180
Payment in lieu of taxes	6,500	7,500	7,722	222
Penalties and interest	6,500	9,000	9,319	319
Total property taxes	547,000	555,500	557,221	1,721
State - shared revenues	212,500	219,750	222,549	2,799
Other revenues				
Garbage collection fees	220,000	215,000	215,772	772
Federal grants - Homeland Security	12,600	18,000	18,050	50
Rent	125,000	163,000	162,992	(8)
Interest	13,000	23,500	23,784	284
Other	38,500	47,500	48,280	780
Total revenues	1,168,600	1,242,250	1,248,648	6,398
Expenditures				
General government				
Village council	17,400	15,350	15,338	12
Attorney	5,170	6,300	6,247	53
Village clerk	800	1,650	1,637	13
Treasurer	8,800	9,250	9,181	69
Buildings and grounds	6,000	5,675	5,627	48
Cemetery	15,000	14,550	14,426	124
General government	83,900	84,725	84,329	396
Total general government	137,070	137,500	136,785	715
Public safety				
Police department	318,100	335,750	335,590	160
Fire department	54,500	79,750	79,544	206
Building inspection	3,500	950	913	37
Total public safety	376,100	416,450	416,047	403
Public works				
Department of public works	313,700	410,600	410,282	318
Sidewalks	3,000	3,250	3,238	12
Total public works	316,700	413,850	413,520	330

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (continued)				
Sanitation				
Sanitary landfill	120,000	114,000	114,041	(41)
Waste collection and disposal	77,000	87,475	87,368	107
Total sanitation	197,000	201,475	201,409	66
Recreation				
Parks and recreation	9,000	7,625	7,580	45
Ice arena	23,500	27,925	27,866	59
Marina	1,500	2,050	2,017	33
Total recreation	34,000	37,600	37,463	137
Capital outlay				
General government	-	150	-	150
Police department	3,000	12,575	12,555	20
Public works	-	8,525	8,502	23
Fire department	50,000	32,150	32,128	22
Total capital outlay	53,000	53,400	53,185	215
Debt service				
General government	46,000	39,100	39,007	93
Fire department	10,000	8,000	8,000	-
Public works	33,900	30,125	30,108	17
Total debt service	89,900	77,225	77,115	110
Total expenditures	1,203,770	1,337,500	1,335,524	1,976
Excess of revenues (under) expenditures	(35,170)	(95,250)	(86,876)	8,374
Other financing sources (uses)				
Sale of fixed assets	-	1,750	1,799	49
Operating transfers in - Component Unit	39,000	70,000	70,246	246
Operating transfers in	-	66,000	65,746	(255)
Operating transfers out	-	(46,650)	(46,603)	47
Total other financing sources (uses)	39,000	91,100	91,187	87
Net change in fund balance	3,830	(4,150)	4,311	8,461
Fund balance - Beginning of year - as restated	328,217	328,217	328,217	-
Fund balance - End of year	\$ 332,047	\$ 324,067	\$ 332,528	\$ 8,461

VILLAGE OF L'ANSE

REQUIRED SUPPLEMENTAL INFORMATION RETIREMENT SYSTEMS SCHEDULE OF FUNDING PROGRESS MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM YEAR ENDED JUNE 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/2002	\$ 1,916,659	\$ 2,947,851	\$ 1,031,192	65%	\$ 768,361	134%
12/31/2003	2,163,852	3,227,396	1,063,544	67%	763,084	139%
12/31/2004	2,367,333	3,515,284	1,147,951	67%	774,306	148%
12/31/2005	2,542,122	3,917,042	1,374,920	65%	693,233	198%
12/31/2006	2,699,855	4,183,150	1,483,295	65%	741,645	200%
12/31/2007	2,855,762	4,342,531	1,486,769	66%	684,112	217%

RETIREMENT SYSTEMS SCHEDULE OF EMPLOYER CONTRIBUTIONS MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percent Contributed
2003	\$ 104,690	\$ 104,690	100
2004	109,200	109,200	100
2005	119,088	119,088	100
2006	126,168	126,168	100
2007	136,836	136,836	100
2008	134,976	134,976	100

The information presented above was determined as part of the actuarial valuations at the date indicated. Additional information as of December 31, 2007, the latest actuarial valuation, follows.

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	28 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases*	4.50%
*includes inflation at	4.50%
Additional salary increases attributable to seniority/merit	0% to 8.40%

VILLAGE OF L'ANSE

OTHER SUPPLEMENTAL INFORMATION COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2008

	Major Street	Local Street	Municipal Street	Debt Service	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 27,327	\$ 171	\$ 117,524	\$ -	\$ 145,022
Accounts receivable	8,702	4,422	4,187	-	17,311
Taxes receivable	-	-	1,578	-	1,578
Due from component unit - DDA	-	17,201	-	-	17,201
Inventory	-	1,800	-	-	1,800
Total assets	\$ 36,029	\$ 23,594	\$ 123,289	\$ -	\$ 182,912
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 8,007	\$ -	\$ -	\$ 8,007
Accrued expenses	1,443	773	-	-	2,216
Due to other funds	-	-	7,500	-	7,500
Due to other governmental units	-	-	17,928	-	17,928
Total liabilities	1,443	8,780	25,428	-	35,651
Fund balances - Undesignated	34,586	14,814	97,861	-	147,261
Total liabilities and fund balances	\$ 36,029	\$ 23,594	\$ 123,289	\$ -	\$ 182,912

VILLAGE OF L'ANSE

OTHER SUPPLEMENTAL INFORMATION COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2008

	Major Street	Local Street	Municipal Street	Debt Service	Total Nonmajor Governmental Funds
Revenues					
Property taxes	\$ -	\$ -	\$ 175,751	\$ -	\$ 175,751
State-shared revenues	114,081	61,362	7,533	-	182,976
Interest	12	18	42	-	72
Total revenues	114,093	61,380	183,326	-	358,799
Expenditures					
Routine maintenance	65,245	99,160	-	-	164,405
Traffic services	1,983	1,973	-	-	3,956
Winter maintenance	50,099	51,802	-	-	101,901
Administrative, engineering and record keeping	11,655	19,407	629	325	32,016
Debt service	-	-	-	46,278	46,278
Total expenditures	128,982	172,342	629	46,603	348,556
Excess of revenues (under) over expenditures	(14,889)	(110,962)	182,697	(46,603)	10,243
Other financing sources (uses)					
Operating transfers in	15,000	115,367	-	46,603	176,970
Operating transfers out	-	-	(110,000)	-	(110,000)
Total other financing sources (uses)	15,000	115,367	(110,000)	46,603	66,970
Net change in fund balances	111	4,405	72,697	-	77,213
Fund balances - Beginning of year	34,475	10,409	25,164	-	70,048
Fund balances - End of year	\$ 34,586	\$ 14,814	\$ 97,861	\$ -	\$ 147,261

VILLAGE OF L'ANSE

WATER UTILITY FUND COMPARATIVE STATEMENTS OF NET ASSETS JUNE 30, 2008 AND 2007

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 1,963	\$ 50,483
Accounts receivable - net	37,246	39,906
Due from General Fund	225	-
Total current assets	39,434	90,389
Long-term assets		
Restricted assets	-	1,363
Utility plant and system (capital assets)	3,978,162	3,998,374
Total assets	4,017,596	4,090,126
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	4,797	9,234
Accrued expenses	51,942	44,059
Customer deposits	225	225
Accrued interest	42,500	-
Current portion of long-term debt	35,000	35,000
Total current liabilities	134,464	88,518
Long-term debt - net of current portion	1,665,000	1,700,000
Total liabilities	1,799,464	1,788,518
Net assets		
Invested in utility plant and system - net of related debt	2,278,162	2,263,374
Unrestricted and undesignated	(60,030)	38,234
Total net assets	\$ 2,218,132	\$ 2,301,608

VILLAGE OF L'ANSE

WATER UTILITY FUND COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Operating revenues		
Sales	\$ 482,975	\$ 485,149
Services	1,554	1,724
Other	2,022	1,947
Total operating revenues	486,551	488,820
Operating expenses		
Distribution	367,500	355,784
Administrative and general	48,799	44,634
Depreciation	98,095	94,314
Total operating expenses	514,394	494,732
Operating (loss)	(27,843)	(5,912)
Nonoperating revenues (expenses)		
Sale of fixed assets	225	-
Interest income	17	1,190
Interest expense	(85,875)	(87,500)
Total nonoperating revenues (expenses)	(85,633)	(86,310)
(Loss) before transfers	(113,476)	(92,222)
Transfers from other funds	30,000	-
Changes in net assets	(83,476)	(92,222)
Net assets - Beginning of year	2,301,608	2,393,830
Net assets - End of year	\$ 2,218,132	\$ 2,301,608

VILLAGE OF L'ANSE

WATER UTILITY FUND COMPARATIVE STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Cash flows from operating activities		
Receipts from customers	\$ 487,189	\$ 491,647
Other receipts	2,022	1,947
Payments to suppliers	(153,693)	(122,972)
Payments to employees for wages and benefits	(259,160)	(280,271)
Receipts from/payments to other funds	(225)	-
Net cash provided by operating activities	76,133	90,351
Cash flows from noncapital financing activities		
Transfers	30,000	-
Net cash provided by noncapital financing activities	30,000	-
Cash flows from capital and related financing activities		
Purchase of capital assets	(77,883)	-
Receipts from sale of capital assets	225	-
Principal paid on debt	(36,000)	(30,000)
Interest paid on debt	(43,375)	(87,500)
Net cash (used in) capital and related financing activities	(156,033)	(117,500)
Cash flows from investing activities		
Interest	17	1,190
Reduction in investments	-	50,000
Net cash provided by investing activities	17	51,190
Net change in cash and cash equivalents	(49,883)	24,041
Cash and cash equivalents - Beginning of year	51,846	27,805
Cash and cash equivalents - End of year	\$ 1,963	\$ 51,846
Reconciliation of operating (loss) to net cash from operating activities		
Operating (loss)	\$ (27,843)	\$ (5,912)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	98,095	94,314
Changes in assets and liabilities		
Decrease in accounts receivable	2,660	4,774
(Increase) in due from General Fund	(225)	-
(Decrease) in accounts payable	(4,437)	(3,469)
Increase in accrued expenses	7,883	644
Net cash provided by operating activities	\$ 76,133	\$ 90,351

VILLAGE OF L'ANSE

DISPOSAL SYSTEM FUND COMPARATIVE STATEMENTS OF NET ASSETS JUNE 30, 2008 AND 2007

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 104,685	\$ 62,266
Accounts receivable - net	57,543	57,104
Grants receivable	6,175	28,491
Total current assets	168,403	147,861
Long-term assets		
Restricted assets	37,431	44,783
Utility plant and system (capital assets)	2,871,042	3,050,610
Total assets	3,076,876	3,243,254
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	13,137	48,079
Accrued expenses	35,411	13,575
Due to other governmental units	17,443	-
Current portion of long-term debt	86,197	84,779
Total current liabilities	152,188	146,433
Long-term debt - net of current portion	1,818,774	1,905,037
Total liabilities	1,970,962	2,051,470
Net assets		
Invested in utility plant and system - net of related debt	1,003,502	1,060,794
Unrestricted and undesignated	102,412	130,990
Total net assets	\$ 1,105,914	\$ 1,191,784

VILLAGE OF L'ANSE

DISPOSAL SYSTEM FUND COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Operating revenues		
Sales	\$ 711,809	\$ 686,891
Services	2,336	1,866
Other	1,724	3,862
Total operating revenues	715,869	692,619
Operating expenses		
Distribution	519,831	442,437
Administrative and general	11,423	15,323
Depreciation	179,568	180,950
Total operating expenses	710,822	638,710
Operating income	5,047	53,909
Nonoperating revenues (expenses)		
State grant - MI DEQ	37,070	108,964
Expenses related to special study	(37,070)	(108,964)
Interest income	323	1,973
Interest expense	(91,240)	(95,163)
Total nonoperating revenues (expenses)	(90,917)	(93,190)
Changes in net assets	(85,870)	(39,281)
Net assets - Beginning of year	1,191,784	1,231,065
Net assets - End of year	\$ 1,105,914	\$ 1,191,784

VILLAGE OF L'ANSE

DISPOSAL SYSTEM FUND COMPARATIVE STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Cash flows from operating activities		
Receipts from customers	\$ 713,706	\$ 687,376
Other receipts	1,724	3,862
Payments to suppliers	(216,820)	(109,175)
Payments to employees for wages and benefits	(310,097)	(314,276)
Net cash provided by operating activities	188,513	267,787
Cash flows from noncapital financing activities		
Receipts from noncapital grant	59,386	80,473
Payments to suppliers related to special study	(37,070)	(108,964)
Net cash provided by (used in) noncapital financing activities	22,316	(28,491)
Cash flows from capital and related financing activities		
Purchase of capital assets	-	(6,682)
Increase in deposit with County	5,429	-
Principal paid on debt	(84,845)	(80,003)
Interest paid on debt	(91,240)	(95,163)
Net cash (used in) capital and related financing activities	(170,656)	(181,848)
Cash flows from investing activities		
Interest	323	1,973
Net cash provided by investing activities	323	1,973
Net change in cash and cash equivalents	40,496	59,421
Cash and cash equivalents - Beginning of year	64,189	4,768
Cash and cash equivalents - End of year	\$ 104,685	\$ 64,189
Reconciliation of operating income to net cash from operating activities		
Operating income	\$ 5,047	\$ 53,909
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	179,568	180,950
Changes in assets and liabilities		
(Increase) in accounts receivable	(439)	(1,381)
(Decrease) increase in accounts payable	(17,499)	33,498
Increase in accrued expenses	21,836	811
Net cash provided by operating activities	\$ 188,513	\$ 267,787

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of L'Anse, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying "Schedule of Findings and Responses" to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

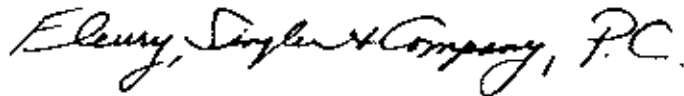
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses.

The Village's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eleury, Singer & Company, P.C.".

Certified Public Accountants

October 6, 2008

SCHEDULE OF FINDINGS AND RESPONSES

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

During our audit, we identified three deficiencies in internal control over financial reporting that we consider to be significant deficiencies which are required to be communicated under STATEMENT ON AUDITING STANDARDS NO. 112. In addition, we noted certain matters involving internal control and other operational matters that are presented for your consideration. Our comments are summarized as follows:

Lack of expertise in financial accounting and reporting

As in the prior year, the Village has again requested that we prepare their financial statements and related notes to the financial statements. We identified that the Village does not have an employee or other individual with suitable skill to prepare the financial statements or to review the disclosure checklist in conjunction with the financial statements prepared by the auditors to ensure propriety and completeness of the financial statements and footnotes. SAS No. 112 requires (in effect) that any organization under audit needs to have enough expertise in their control environment to properly prepare the financial statements (including notes to the financial statements). Although the Village is "technically" deficient under SAS No. 112, we believe that this issue in itself denotes no negative implications concerning the Village.

Demutualization of MetLife, Inc Common Stock

In 1999, the Village was a party to an insurance contract with MetLife, Inc. whereby the company demutualized and the Village received approximately 5,000 shares of publicly traded MetLife, Inc. common stock. The management of the Village at that time did not realize the effect of this as being an asset of the Village. From 1999 through 2008, the value of the stock grew significantly. In August 2008, during the course of our examination, we discovered the asset and recommended that the Village redeem the shares for cash as soon as practicable. The process was complex and was not completed until October, 2008, when the Village received \$297,198 as a complete redemption of this investment. The Village is not permitted under its investment policy to hold common stock; however, the Village did take the steps necessary to divest themselves of this asset as soon as they were made aware of its existence. The market price of the shares varied significantly during 2008, however, the ultimate value received was significantly higher than the 1999 demutualization value. Although this "by definition" is a significant deficiency, the demutualization of an insurance company related to a municipality is a highly unusual occurrence and it is understandable that the impact of this transaction was not fully understood in 1999. The Village deposited dividend revenues during this entire period and took immediate steps necessary to correct this oversight in a timely manner.

Transitional issues

As in the prior year, the Village again has had its manager resign from his position and the Village has retained the services of a new manager. In the prior year, we noted several deficiencies in the accounting records which were transitional in nature. It was noted that significant improvements were made in the operational controls of the Village during the current year (based in part by our recommendations). The records for the most part were maintained on a cash basis and we assisted management in converting the cash basis records to full and modified accrual. This is a new procedure for the Village and a decision will need to be made in the future as to whether to continue this process or to maintain the records on an accrual basis. Given the above, we offer the following recommendations to the Village (some of which are continuations or modifications of prior year comments).

1. In the prior year we noted that reconciliations of various assets, liabilities, revenues, and expenditures were not performed. Significant improvements were made in the area of cash reconciliations and general ledger balancing. All cash accounts were reconciled and posted accurately and the general ledger "balanced". There still remain issues with classification errors and recordkeeping controls, e.g. the tax revenue account was overstated due to an overpayment by the County of Baraga and was not detected. Also, numerous reclassification entries were required. We would state that although we discovered recording issues, it was obvious that significant improvements have been made to the recording process. With that said, we recommend that monthly/quarterly reconciliations be made of "sensitive" accounts and that these account reconciliations be monitored by the Village manager.
2. In the prior year we made several recommendations regarding access to the QuickBooks program in regards to transactional access and recording responsibilities. With the addition of the new Village manager, we recommend procedures be put in place that require documented oversight by the Village manager and these procedures detailed and segregated where possible. The limited number of administrative employees creates issues with regard to segregation of duties; however, we believe a more disciplined monitoring process should be implemented. One example of a change may be more input by the Village Council. The minutes no longer include a listing of the disbursements each month. Although this may not be a requirement, we believe it to be a strong control mechanism and this is an example of where monitoring controls can be documented and implemented. Also with regard to monitoring controls, we believe the Council should be provided with monthly financial reports which can be used to compare actual and budgeted information and here again create a strong monitoring environment.
3. The State of Michigan requires an annual budget be prepared by the Village and that the budget be used as a management tool. The annual budget was properly prepared in 2007 for the June 30, 2008, fiscal year; however, we believe that the budget was not fully utilized as an expenditure control device during the entire fiscal year. We recommend that the Village manager monitor the budget at each activity level to ensure compliance and to amend the budget as needed throughout the fiscal year. This comment was made in the prior year as well.

Our comments regarding other operational matters are summarized as follows:

Loan agreement violations

As disclosed in the notes to the financial statements, the Village has not maintained the deposit and cash segregation requirements outlined in its bond agreement with the USDA. The Water Utility Fund restricted cash amount has not been funded at all in 2008. The Disposal System Fund deposit requirement at the County of Baraga has been funded for the Village's share; however, the Township's share has not been deposited. We recommend that the Village make the required adjustments (coordinate with L'Anse Township) and make transfers necessary to bring the Village in compliance with its loan covenants.

Cash balances

As mentioned in our previous letter, the Village has significant cash balances not covered by F.D.I.C. or N.C.U.A. insurance. We recommend that the Village consider using several financial institutions in order to minimize risk. Alternatively, the Village may wish to discuss with the present financial institutions the possibility of having its deposits collateralized.

Property Tax Revenues

During the course of the audit it was discovered that the County of Baraga had overpaid the Village for its delinquent property taxes by a significant amount. After discussions with the County, a liability was recorded by the Village to reflect the amounts due to the County. We recommend that this overpayment be refunded to the County and in the future all property tax revenues be reconciled in specific detail to the remittances from the County and the Village Treasurer.

Downtown Development Authority

As mentioned in our previous letter, it did not appear that L'Anse Township had remitted the full amount of property taxes for the Downtown Development Authority. It is unclear whether these remittances were not made or possibly commingled with County remitted funds. We recommend that the Village contact appropriate Township and County personnel to resolve this issue.

The DDA is required to have an annual budget in accordance with Michigan regulations. Although a budget was prepared for the DDA, it does not appear to comply with budgetary requirements.

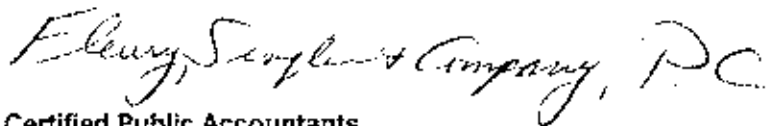
The DDA has significant amounts of cash that may be available for Village activities. We recommend that the DDA and Village implement a long-term strategy for the use of these funds and as stated above, budget these plans on an annual basis.

Although the accounting activity was improved, the DDA and the Village need to ensure that their accounting records agree and reconciliations should be prepared monthly.

This letter does not affect our report dated October 6, 2008 on the financial statements of the Village of L'Anse, Michigan. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience and would be happy to assist the Village in implementing the above recommendations. Attached to this schedule is a response to the above enumerated items by the Village Council.

This communication is intended solely for the information and use of the management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants
October 6, 2008



Village of L'Anse
101 N. Main Street
L'Anse, MI 49946
Phone 906-524-6116
Fax 906-524-6146

November 19, 2008

Village of L'Anse Explanations to Schedule of Findings Responses

Lack of Expertise in Financial Accounting and Reporting:

We do not have staff with the proper training to prepare financial statements and footnotes. We are working to achieve the necessary level of training with existing staff as well as developing agreements with 3rd party accountants for assistance.

Demutualization of Metlife, Inc. Common Stock:

The Village learned as part of the auditing process that we indeed held common stock in Metlife. The Village was completely unaware of the fact that it indeed owned Metlife common stock. As soon as we became aware of the fact, we immediately began a very complex process to divest ourselves of the stock. The revenues from the stock were immediately deposited and the Village has taken steps to insure we own no other assets of this nature.

Transitional Issues:

The Village is continuing to improve our processes and procedures. The Village has had three different Managers in three years, in which one of the managers was primarily responsible for the majority of the accounting process. We have hired a Finance Coordinator to work with the new Manager to enhance and ensure timely and accurate reporting of Village finances utilizing our staff.

1.)The Village continues to work to fix any reclassification errors. Last year there was confusion on a tax payment by a major taxpayer. This led to an overpayment to the Village in taxes, which had to be returned to the County. Action was taken to correct this issue, and with continued oversight between the Village Manager and the Finance Coordinator, this should not happen in the future. The Village is working on the recommendation of monthly/quarterly reconciliation's as well, which the Village Manager will monitor.

2.)The Village is working to improve our procedures where possible. The Village is implementing procedures to providing council with financial reports to compare with our actual budgeted information, as well as procedures to provide further oversight by the Village Manager.

3.)The Village recognizes the need for the Village Manager to monitor the budget at each activity level to ensure compliance and to amend the budget as needed throughout the fiscal year.

Other Operational Issues:

Loan Agreement Violations- The Village has taken steps to fix our deficiencies with USDA. The bond requirements are now fully funded and in compliance with the Village's obligations. The township has remitted its share of its debt obligations to the county. Both the Village and the township are now both in compliance with our obligations.

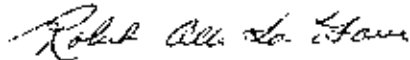
Cash Balances- The Village will take the necessary steps to ensure that all deposits are secure. We are evaluating the possibility of spreading our investments among more depositors.

Property Tax Revenues- The overpayment in question was refunded. The Village has taken steps to prevent this type of occurrence from happening in the future.

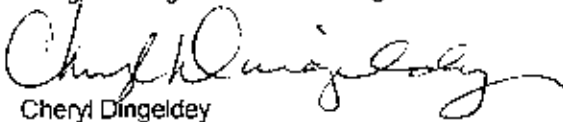
Downtown Development Authority- Various Issues

1. After conferring with L'Anse Township it has been determined that L'Anse Township has remitted the full amount of property taxes for the Downtown Development Authority.
2. The DDA's annual budget will be prepared this year at the same time as the Village prepares its budget, to make sure that it is in accordance with Michigan regulations and requirements
3. The Village will be working closely with the DDA to develop strategies for the use of their funds that will provide maximum benefit to the Village while staying within the intent of the charter.
4. With the Village paying bills on behalf of the DDA and billing them for expenses, the Village should be able to ensure our accounting records agree.

Sincerely,



Bob LaFave
Village Manager - L'Anse Michigan



Cheryl Dingeldey

Village President - L'Anse Michigan